Issue VII-2 ***Demand Management Forecasts*** Should the Parties' interconnection agreement reflect their recent agreement on Demand Management Forecasts?

Q. VERIZON INDICATES THAT ON A CONFERENCE CALL ON MARCH 27, 2001, AT&T AND VERIZON CAME TO AN AGREEMENT ON DEMAND MANAGEMENT FORECASTS. DOES AT&T BELIEVE THAT THE ISSUE OF DEMAND MANAGEMENT FORECASTS HAS BEEN SETTLED?

A. No, AT&T does not believe the issue has yet been settled. AT&T and Verizon did indeed discuss Verizon's demand management forecast language on March 27, 2001. At that time, AT& reiterated the concerns that AT&T had with Verizon's proposed language.

Q. PLEASE EXPLAIN THE CONCERNS THAT AT&T HAS WITH VERIZON'S LANGUAGE.

A. AT&T opposes Verizon's language principally for three reasons. First, Verizon's language provides Verizon with far too much discretion in regard to the information that can be obtained through a demand management forecast. Second, AT&T is very concerned that Verizon will be able to use competitively sensitive information to thwart competition. Third, AT&T considers Verizon's language over-broad and unnecessary. I will explain each of these concerns below.

Q. PLEASE EXPLAIN WHY AT&T FEELS THAT VERIZON'S PROPOSED LANGUAGE PROVIDES TOO MUCH DISCRETION TO VERIZON.

A. Verizon's proposed contract language does not place limits on the type or volume of information AT&T must provide to Verizon. Verizon's proposed language in section 10.4 states, in part, "AT&T shall provide to Verizon non-binding good faith demand management forecasts regarding the services that AT&T expects to purchase from Verizon, ***including but not limited to*** forecasts regarding the types and volumes of services that AT&T expects to purchase and the locations where such services will be purchased" (emphasis added). While Verizon does provide that the forecasts are non-binding, there is no limit to the amount of information – relevant or not, necessary or not – that Verizon may request from AT&T. Such language can unduly increase the administrative burden on AT&T, thereby increasing costs and slowing network deployment. AT&T would like to focus its resources on customers, not Verizon. Additionally, AT&T believes the vagueness of Verizon's proposed language will provide an opportunity for unwarranted fishing expeditions into AT&T's business plans.

Q. HAS AT&T RAISED THIS CONCERN WITH VERIZON?

A. Yes, it has. In fact, this concern was one of the topics of discussion on the March 27, 2001, conference call. AT&T objected to the language on the basis that there was no clear way for AT&T to gauge just what AT&T would be required to do if it agreed to Verizon's proposed contract language. Verizon directed AT&T to Verizon's CLEC Handbook as guidance regarding the information Verizon intended to request. To be honest, this only exacerbated AT&T's concerns. AT&T has repeatedly taken the position that it will not defer to the CLEC handbook to determine it's contractual obligations. While the CLEC Handbook can be a very useful guide to CLECs that interconnect with Verizon, it is an improper vehicle through which to determine contractual obligations since Verizon controls the Handbook and can change it whenever it likes. Thus, AT&T is provided no meaningful contractual protections under Verizon's language.

Q. PLEASE EXPLAIN WHY AT&T BELIEVES THAT VERIZON'S LANGUAGE PROVIDES VERIZON WITH AN UNWARRANTED ACCESS TO AT&T'S BUSINESS INFORMATION.

A. All information provided to Verizon in the form of a forecast is competitively sensitive. Only structural separation of Verizon's wholesale and retail operations could completely protect competitors. In the absence of structural separation, however, it is particularly important that interconnection agreement language protect AT&T by limiting the information AT&T is required to provide to Verizon to that which is absolutely necessary for Verizon to provide competitors with wholesale services at parity.

AT&T does acknowledge that Verizon proposed language stating that demand management forecasts are subject to the confidentiality provisions of the interconnection agreement and that such forecasts will only be used to provide services under the agreement. AT&T agrees that any forecast provided by AT&T must be subject to these conditions. However, AT&T feels very strongly that there is a continued need to limit information provided to Verizon to that information that is absolutely essential to ensure that Verizon will be able to meet AT&T's service needs. The simple fact is that regardless of contractual provisions that purport to protect AT&T's interests, Verizon employees have a conflict of interest regarding the treatment of AT&T's proprietary data.

Q. PLEASE EXPLAIN WHY THE INFORMATION VERIZON REQUESTS MAY BE UNNECESSARY.

A. Since Verizon's language provides it with broad discretion, it is of course impossible to state each example where Verizon may request unnecessary information. However, let me provide one example to illustrate AT&T's concerns. To the extent that AT&T serves customers through the use of a UNE loop, provision of such a service will most likely be achieved through a "hot cut" of existing loop facilities. In providing service through the UNE-Platform, AT&T would use the same loop. Thus, asking AT&T to break out how many loops it plans to use in connection with each does less to allow Verizon to prepare enough loop facilities for AT&T's than it does in providing Verizon an inside look into AT&T's business plans.

Q. DO YOU HAVE ANY OTHER CONCERNS REGARDING VERIZON'S PROPOSED DEMAND MANAGEMENT FORECAST LANGUAGE?

A. Even if Verizon's proposed language was acceptable -- which it is not – it is placed in the incorrect part of the contract. Verizon's demand management forecast language addressed information on UNE facilities, for example, and not forecasting. This is terribly confusing since interconnection is a bilateral responsibility and the provision of UNEs is only required of Verizon. To the extent that the Commission deems any language of forecasts for UNEs appropriate, it should be covered as part of Section 11 (UNEs).

Issue VII-3 ***Definitions of POI and IP*** How should the Parties Define "Interconnection Points" ("IP") and "Points of Interconnection" ("POI")?

Q. PLEASE DESCRIBE THIS ISSUE.

A. This issue is set forth in the DPL as follows: "How should the Parties define "Interconnection Points" ("IP") and Points of Interconnection ("POI")?" This is virtually the same issue as I discussed in Issue VII-1 above, and is related to the issues discussed in Issue I.1, and the issues I will discuss when I address Issues VII-4 and VII-5.

As I testified, AT&T rejects Verizon's assertion that the Parties ever came to an agreement on the terms POI and IP. There is, and has been since the inception of negotiations, a fundamental disagreement on the substance of these terms and the implications associated with the use of these terms. Verizon is simply trying, for a third time in this proceeding, to promote its unsupportable position regarding the existence of the term IP distinct from the term POI.

Q. WHAT IS AT&T'S POSITION ON THIS ISSUE?

A. As I have stated in my discussion of Issues VII-1 and Issue I.1, Verizon attempts to sever from "POI" the financial responsibility of each carrier to deliver its originating traffic to that point by using the term "IP" in its Contract language. As I also have stated, the ability to determine the POI is inextricably linked to the responsibility to pay for the transport to that point.[110] Verizon's insistence on

[110] *See* AT&T Petition at 3–23.

maintaining the term "IP" in its proposed Contract language is nothing more than an attempt by Verizon to distract the Commission from following clear precedent establishing that the location of the POI, which is to be selected by the CLEC, is also the location where parties must deliver their originating traffic for termination.

There simply isn't any support for the distinction that Verizon attempts to make. Verizon has not pointed (and cannot point) to a single statutory or FCC citation that addresses the two terms and describes the differences between them. Indeed, no such citations exist.

There is ample support for AT&T's position. I covered that support in detail in my discussion of Issue I.1 and will not repeat those arguments here. Rather, I refer the Commission to my discussion of the POI issue and its significance in terms of the parties transport obligation, and my further discussion as to why Verizon's proposal relating to POI and IP is without merit and contrary to law and public policy.

ISSUE VII-4 If AT&T fails to establish an Interconnection Point in accordance with the terms of the interconnection agreement, what reciprocal compensation rates and/or inter-carrier compensation rates should Verizon pay AT&T? ISSUE VII-5 When AT&T offers a limited number of IPs, should AT&T be permitted to charge Verizon distance-sensitive charges if Verizon purchases transport to an AT&T IP?

Q. PLEASE DESCRIBE ISSUES VII-4 AND VII-5.

A. Issue VII-4 is set forth in the DPL as follows: "If AT&T fails to establish an Interconnection Point in accordance with the terms of the interconnection agreement, what reciprocal compensation rates and/or inter-carrier compensation rates should Verizon pay AT&T?" Issue VII-5 is set forth in the DPL as follows: "When AT&T offers a limited number of IPs, should AT&T be permitted to charge Verizon distance-sensitive charges if Verizon purchases transport to an AT&T IP?" I am discussing these two issues together because they both represent an attempt by Verizon to limit its obligations for delivering its traffic to the designated end user. These issues also both serve as prime examples as to how Verizon's use of the term "IP" results in diminishing AT&T's rights under the law.

Q. PLEASE EXPLAIN THIS FURTHER.

A. In Section 4.1.2 of its proposed contract draft, Verizon provides that it shall permit AT&T to interconnect at any technically feasible point on Verizon's network. However, as I have testified to previously, since Verizon does not recognize the FCC's definition of the POI as the financial demarcation point between 1) transport and termination and 2) and the point where the originating carrier's responsibility to provide (or cause to be provided) interconnection facilities ends, this "right" is irrelevant. In Verizon's view, it should have no financial obligation on its part to provide interconnection facilities between the Verizon-designated "IP" and the POI. Thus, the POI chosen by AT&T under Verizon's proposal has no relation to the point where transport and termination costs begin. Through these two issues, Verizon wants to saddle AT&T with its transport obligations to deliver its traffic to AT&T.

Q. PLEASE EXPLAIN HOW THE FIRST PROPOSAL IN VII-4 RESULTS IN TRANSFERRING VERIZON'S TRANSPORT OBLIGATIONS TO AT&T.

A. Verizon's proposal in VII-4 is designed to reduce AT&T's reciprocal compensation rates if AT&T does not establish a POI at each applicable end office where Verizon can hand off its traffic to AT&T. Although Verizon uses the term IP in describing this issue, since Verizon defines an IP as the point where financial responsibility for the delivery of traffic changes hands, it is clear that POI is the correct term to be used.

Specifically, Verizon's proposal is if AT&T does not choose to allow Verizon to deliver all its traffic to Verizon's designated IP for AT&T to pick up, then Verizon proposes to pay the lesser of the End Office reciprocal compensation rate for relevant traffic, or the applicable intercarrier compensation rate minus a transport "offset" equal to Verizon's monthly recurring rate for unbundled dedicated interoffice transport from Verizon's End Office to the AT&T "IP" (the location where Verizon must deliver its traffic).[111] Thus, the transport offset is Verizon's way to get AT&T to pay for the transport of Verizon traffic beyond its own end office. Here again, while Verizon says AT&T can select the POI, the POI has no relationship to where Verizon must deliver its traffic. Instead, Verizon is trying to ensure that AT&T must bear all transport costs between Verizon's own tandem or end office, as applicable[112], and AT&T's POI.

Q. DOES THIS PROPOSAL ALSO VIOLATE RECIPROCAL COMPENSATION REQUIREMENTS?

A. Yes. The Act dictates that each carrier shall be permitted mutual and reciprocal recovery of costs relating to the termination of calls originated on another carrier's network. Specifically, ¶ 252(d)(2)(A) of the Act provides:

> [A] state commission shall not consider the terms and conditions for reciprocal compensation to be just and reasonable unless...such terms and conditions provide for the mutual and reciprocal recovery by each carrier of costs associated with the transport an termination on each carrier's network facilities of calls that originate on the network facilities of the other carrier.[113]

The proposal by Verizon clearly violates AT&T's right to such recovery.

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[111] Verizon Supplemental Statement at 33-34.

[112] Verizon's Contract at Attachment 4, Section 4.1 specifies several conditions under which Verizon may unilaterally designate a Verizon IP at the Verizon originating end office. Under such a circumstance, Verizon would have no obligation to carry its traffic to the applicable POI, or pay AT&T transport charges for doing so on Verizon's behalf.

[113] 47 U.S.C. ¶252(d)(2)(A).

Q. PLEASE DESCRIBE VERIZON PROPOSAL SET FORTH IN ISSUE VII-5.

A. Verizon's second proposal, set forth in Issue VII-5, provides Verizon with yet another way to reduce its financial obligations to deliver traffic to a POI. Here Verizon proposes not to pay AT&T its full transport costs if Verizon purchases transport to an AT&T POI. Specifically, Verizon proposes that in instances when Verizon decides to purchase transport from the "POI to an AT&T IP" (that is, purchase transport to a POI), if AT&T selects a limited number of locations for Verizon to deliver its traffic, then Verizon should not have to pay AT&T any distance-sensitive charges incurred by AT&T for this transport.[114]

Thus, through this proposal, Verizon is seeking to shift its costs of origination to AT&T by refusing to pay AT&T the costs it would incur should Verizon use AT&T facilities to deliver its traffic to the POI. As I have discussed in my testimony on Issue I.1, each Party has a financial obligation to deliver its originating traffic to the POI. This obligation includes fully compensating the other Party for any costs that party incurs to deliver the other party's originating traffic.[115] Verizon's proposal is inconsistent with this obligation.

Q. HAS AT&T ATTEMPTED TO ADDRESS VERIZON'S BUSINESS CONCERN?

A. Of course. While AT&T would not agree to assume financial responsibility to transport Verizon's traffic, AT&T has proposed to permit Verizon to seek a POI for its traffic independent of the location of AT&T's POI.

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[114] Verizon Supplemental Statement at 34.

Q. IF AT&T LEASES INTERCONNECTION FACILITIES FROM VERIZON TO DELIVER ITS TRAFFIC TO THE POI, DOES VERIZON PROPOSE THAT AT&T CAN AVOID PAYING VERIZON ANY DISTANCE SENSITIVE CHARGES AS WELL?

A. No. Verizon's proposal is not reciprocal in nature. Rather, as I stated earlier in my testimony in my discussion of Issue V.2, Verizon proposes that it should be able to charge AT&T distance-sensitive, market-based, *exchange access rates* – Verizon's highest tariffed rate - whenever AT&T purchases transport from Verizon for the same purpose. The inequities of these two proposals taken together are obvious.

Q. WHAT IS AT&T'S PROPOSAL WITH RESPECT TO COMPENSATION FOR COSTS INCURRED WHEN THE TERMINATING CARRIER ALSO PROVIDES TRANSPORT TO THE POI FOR THE OTHER PARTY'S ORIGINATING TRAFFIC?

A. AT&T's proposal provides both Parties with the right to be fully and fairly compensated for any costs incurred by it when providing transport for the other parties originating traffic. AT&T's proposed Contract language provides each Party the ability to control its costs by choosing to build its own transport facilities or to lease them from the other Party. Also, AT&T proposes that each Party will lease transport facilities from the other under comparable rates terms and conditions. AT&T asserts that UNE rates are appropriate for this purpose.

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115 *See* AT&T Petition at 9, footnote 18; 13-17.

Issue VII-6 ***Limitations on AT&T's POI*** Should Verizon be forced to offer interconnection facilities and hubbing at central offices other than those intermediate hub locations identified in the NECA 4 tariff?

Q. PLEASE DESCRIBE ISSUE VII-6.

A. This is yet another version of the dispute over AT&T's right to designate the location of its POI. As the Commission has seen in several other similar issues (e.g., I-1, I-1A, VII-3, VII-4 and, VII-5), Verizon is attempting, again, to place an unlawful limitation on AT&T's right to designate the location of its POI. In this iteration of the POI issue, Verizon asserts that AT&T and other CLECs should be limited solely to interconnecting using a DS-3 interface at locations which Verizon designates in its NECA 4 tariff.

Q. WHAT OBJECTION DOES VERIZON RAISE?

A. In Verizon's proposed § 5.2, relating to Trunk Group Connections and Ordering, Verizon insists that the Parties include contract language which states: "When Traffic Exchange Trunks are provisioned using a DS-3 interface facility, AT&T shall order the multiplexed DS-3 facilities to the Verizon Central Office that is designated in the NECA 4 Tariff as an Intermediate Hub location, unless otherwise agreed to in writing by Verizon."[116] Verizon supports the inclusion of this language based on the fact that "not all Verizon Central Offices are Intermediate Hub locations designated for DS-3 interface facilities."[117]

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116 Verizon Supplemental Statement at 35.

117 *Id.*

Q. WHY IS DS-3 INTERCONNECTION IMPORTANT TO AT&T?

A. The interconnection of two networks is a multi-dimensional task. There is a geographic aspect, e.g., at which central office. There is a logical aspect, e.g., how will traffic be routed under various traffic load conditions. And there is the aspect relating to the method of interconnection, that includes, the interface selection, transmission protocol, transmission speed and the physical connection.

Implementing current, SONET-based transmission systems, two interfaces stand out as the most economical and prevalent among local carriers. They are DS-1 and DS-3. A DS-1 interface is most economical in situations with relatively low volumes of traffic. However, once a certain location reaches several DS-1s of demand, then substantial savings can be realized by utilizing a DS-3 interface. (This threshold is frequently reached when the demand for access to UNEs and network interconnection are considered collectively.) These savings may come in the form of lower leased facility rates and/or the elimination of DS-1 to DS-3 multiplexing and cross connecting equipment. AT&T makes substantial use of DS-3 interfaces across all of its local networks with many ILECs and is an essential tool to achieve lower interconnection costs.

Q. HOW WOULD AT&T BE HARMED BY THIS LIMITATION PROPOSED BY VERIZON?

A. If the Commission were to adopt Verizon's proposal to limit DS-3 interfaces only to Verizon-designated locations, then AT&T may be faced with having to use more expensive DS-1 facilities in lieu of DS-3 facilities, or to mis-route traffic to a more distant location to use a DS-3 facility. In either case, AT&T would be forced to deploy a less efficient interconnection arrangement than it would without Verizon's proposed limitation. This would be particularly troublesome since the additional costs AT&T would bear under this limitation would likely be additional revenue to Verizon in the form of higher leased facility costs to AT&T. Thus, Verizon's proposal provides it with an double incentive; first, to limit DS-3 interconnection which will increase its revenue, and second, to diminish the network efficiencies of its competitors.

Q. IS A DS-3 INTERFACE A TECHNICALLY FEASIBLE METHOD OF INTERCONNECTION?

A. Yes.

Q. DOES VERIZON HAVE THE CAPABILITY TO OFFER A DS-3 INTERFACE AT EACH VERIZON SERVING WIRE CENTER?

A. Yes. A DS-3 interface is among the most commonly used interoffice interfaces currently deployed in Verizon's own network.

Q. WHAT WOULD BE THE EFFECT OF ALLOWING VERIZON TO LIST ALLOWABLE INTERCONNECTION POINTS IN ITS NECA TARIFF?

A. It would give Verizon the sole discretion to choose the locations where CLEC interconnection would be permitted and it would give it the power to enforce those limitations via tariff requirements.

Q. HOW DOES A CLEC'S RIGHT TO INTERCONNECT AT ANY TECHNICALLY FEASIBLE POINT APPLY TO THIS ISSUE?

A. Verizon's proposal allows it to take a certain set of Verizon central office locations off the list of "approved" points of interconnection. Verizon accomplishes this by allowing DS-3 CLEC interconnection only at certain

Verizon designated offices even though DS-3 CLEC interconnection is technically feasible at any Verizon central office,

Q. WHAT IS THE BASIS FOR YOUR ASSERTION THAT VERIZON MAY NOT LIMIT TECHNICALLY FEASIBLE POINTS OF INTERCONNECTION?

A. The *Local Competition Order* addresses this precise issue. In that Order, the FCC provides:

> [I]nterconnecting or providing access to a LEC network element may be feasible at a particular point even if such interconnection or access requires a novel use of, or some modification to, incumbent LEC equipment. This interpretation is consistent with the fact that incumbent LEC networks were not designed to accommodate third-party interconnection or use of network elements at all or even most points within the network. ***If incumbent LECs were not required***, at least to some extent, ***to adapt their facilities to interconnection or use by other carriers, the purposes of sections 251(c)(2) and 251(c)(3) would often be frustrated.*** For example, Congress intended to obligate the incumbent to accommodate the new entrant's network architecture by requiring the incumbent to provide interconnection "for the facilities and equipment" of the new entrant. ***Consistent with that intent, the incumbent must accept the novel use of, and modification to, its network facilities to accommodate the interconnector*** or to provide access to unbundled elements.[118]

FCC precedent supports AT&T's position that Verizon must accept AT&T's interconnection traffic at a DS-3 level at a particular end office even if it has not traditionally accepted traffic at the DS-3 level at a particular location in the

[118] *Local Competition Order* at ¶202.

past.[119] Therefore, the Commission should reject Verizon's proposed language on legal grounds alone.

Q. DOESN'T THE CLEC ALSO HAVE THE RIGHT TO SELECT THE METHOD OF INTERCONNECTION AS WELL AS THE LOCATION POINT?

A. Yes. As I stated in my discussion of Issue III.3, the right to require interconnection at any technically feasible point also includes the right to require any technically feasible method of interconnection. The FCC made this clear in the *Local Competition Order* when it stated:

> "We conclude that under Sections 251(c)(2) and 251(c)(3) any requesting carrier may choose any method of technically feasible interconnection or access to unbundled network elements at a particular point. Section 251(c)(2) imposes an interconnection duty at any technically feasible point; it does not limit that duty to a specific method of interconnection or access to unbundled network elements."[120]

Since the DS-3 interface is a part of the method of interconnection, Verizon cannot refuse to allow AT&T to use a DS-3 interface at any of its central offices.

Thus, Verizon's proposal violates AT&T's right to choose both the method and the location of the POI. The Commission should see through Verizon's strategy of raising numerous POI restricting issues in an effort to diminish rights that CLECs are provided under the law and deny Verizon's proposal to limit

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[119] Verizon's assertion that AT&T's refusal to limit its interconnection options is somehow wrong because it is inconsistent with its practice as an IXC is without merit. *See*, Verizon Supplemental Statement at 35. It is well recognized that AT&T has different rights as a local exchange carrier under the Act, than it does an interexchange carrier. IXC practices are not relevant to this issue.

interconnection facilities and hubbing at central offices to those intermediate hub locations identified in Verizon's NECA 4 tariff.

Q. DOES THIS COMPLETE YOUR TESTIMONY?

A. Yes it does.

120 *Local Competition Order* at ¶ 549.